

HOUSE BILL 25

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C4

2001 Regular Session
11r0498

(PRE-FILED)

By: **Delegate Brown**
Requested: September 22, 2000
Introduced and read first time: January 10, 2001
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurance - Insurable Interest in Adopted Child**

3 FOR the purpose of clarifying that an insurable interest in the life of a prospective
4 adoptive child exists for the prospective parent of the child as of a certain date;
5 and generally relating to insurable interests in adopted children under life
6 insurance.

7 BY repealing and reenacting, with amendments,
8 Article - Insurance
9 Section 12-201
10 Annotated Code of Maryland
11 (1997 Volume and 2000 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Insurance**

15 12-201.

16 (a) (1) An individual of competent legal capacity may procure or effect an
17 insurance contract on the individual's own life or body for the benefit of any person.

18 (2) Except as provided in subsection (c) of this section, a person may not
19 procure or cause to be procured an insurance contract on the life or body of another
20 individual unless the benefits under the insurance contract are payable to:

21 (i) the individual insured;

22 (ii) the individual insured's personal representative; or

23 (iii) a person with an insurable interest in the individual insured at
24 the time the insurance contract was made.

1 (b) (1) With reference to personal insurance, an insurable interest includes
2 only the interests described in this subsection.

3 (2) (I) For individuals related closely by blood or law, a substantial
4 interest engendered by love and affection is an insurable interest.

5 (II) FOR THE PROSPECTIVE PARENT OF A PROSPECTIVE ADOPTIVE
6 CHILD, AN INSURABLE INTEREST EXISTS IN THE LIFE OF THE CHILD AS OF THE DATE
7 OF THE EARLIER OF:

8 1. A JUDICIAL DECREE OF ADOPTION; OR

9 2. THE ASSUMPTION OF CUSTODY, PENDING ADOPTION, OF
10 THE PROSPECTIVE ADOPTIVE CHILD BY THE PROSPECTIVE ADOPTIVE PARENT.

11 (3) For persons other than individuals closely related by blood or law, a
12 lawful and substantial economic interest in the continuation of the life, health, or
13 bodily safety of the individual is an insurable interest but an interest that arises only
14 by, or would be enhanced in value by, the death, disablement, or injury of the
15 individual is not an insurable interest.

16 (4) (i) This paragraph applies only to employees with respect to whom
17 the corporate employer or an employer sponsored trust for the benefits of employees
18 is the beneficiary under an insurance contract, if the employer is:

19 1. a private corporation; or

20 2. a public corporation, the stock of which is traded on a
21 recognized stock exchange or traded in accordance with the National Association of
22 Securities Dealers Automated Quotation (NASDAQ) Systems.

23 (ii) A lawful and substantial economic interest exists in:

24 1. a key employee of a private corporation or a public
25 corporation described in subparagraph (i) of this paragraph; and

26 2. a nonkey employee of a public corporation described in
27 subparagraph (i) of this paragraph if:

28 A. the employee has been employed by the public corporation
29 for at least 12 consecutive months and consents in writing to the insurance contract;
30 and

31 B. the amount of insurance coverage on the nonkey employee
32 does not exceed an amount commensurate with employer-provided benefits.

33 (5) (i) This paragraph applies only to a contract or option for the
34 purchase or sale of:

35 1. an interest in a business partnership or firm; or

